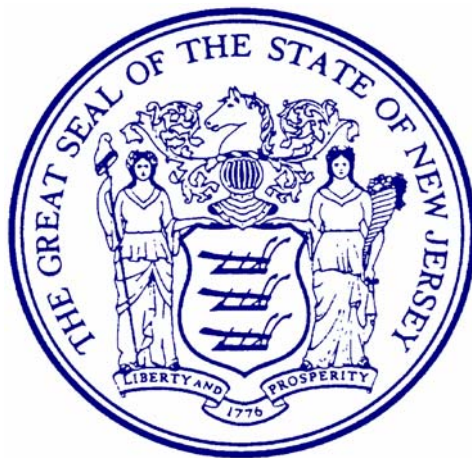


Bally's Park Place, Inc. (Bally's Atlantic City)

QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2006

**SUBMITTED TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION
REPORTING MANUAL**

Bally's Park Place, Inc. (Bally's Atlantic City)

BALANCE SHEETS

AS OF JUNE 30, 2006

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	(d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$43,605	
2	Short-Term Investments.....			
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2006 \$7,379).....	2	263,563	
4	Inventories		1,146	
5	Other Current Assets.....	3	17,669	
6	Total Current Assets.....		325,983	0
7	Investments, Advances, and Receivables.....	1 & 4	34,108	
8	Property and Equipment - Gross.....	1 & 5	696,284	
9	Less: Accumulated Depreciation and Amortization.....	1 & 5	(28,013)	
10	Property and Equipment - Net.....		668,271	0
11	Other Assets.....	6	462,857	
12	Total Assets.....		\$1,491,219	\$0
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$18,586	
14	Notes Payable.....			
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....			
16	External.....		52	
17	Income Taxes Payable and Accrued.....		11,369	
18	Other Accrued Expenses.....	7	31,356	
19	Other Current Liabilities.....	8	44,565	
20	Total Current Liabilities.....		105,928	0
	Long-Term Debt:			
21	Due to Affiliates.....	9	584,000	
22	External.....	9	868	
23	Deferred Credits	1	154,613	
24	Other Liabilities.....	10	1,846	
25	Commitments and Contingencies.....	1	0	
26	Total Liabilities.....		847,255	0
27	Stockholders', Partners', or Proprietor's Equity.....		643,964	
28	Total Liabilities and Equity.....		\$1,491,219	\$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Bally's Park Place, Inc. (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	(d)
	Revenue:			
1	Casino.....		\$332,271	
2	Rooms.....		26,273	
3	Food and Beverage.....		41,803	
4	Other.....		12,998	
5	Total Revenue.....		413,345	0
6	Less: Promotional Allowances.....		85,828	
7	Net Revenue.....		327,517	0
	Costs and Expenses:			
8	Cost of Goods and Services.....		210,909	
9	Selling, General, and Administrative.....		19,572	
10	Provision for Doubtful Accounts.....		282	
11	Total Costs and Expenses.....		230,763	0
12	Gross Operating Profit.....		96,754	0
13	Depreciation and Amortization.....		21,712	
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		271	
15	Other.....	11	5,686	
16	Income (Loss) from Operations.....		69,085	0
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	9	(24,820)	
18	Interest Expense - External.....		(370)	
19	CRDA Related Income (Expense) - Net.....		(3,391)	
20	Nonoperating Income (Expense) - Net.....	12	336	
21	Total Other Income (Expenses).....		(28,245)	0
22	Income (Loss) Before Taxes and Extraordinary Items.....		40,840	0
23	Provision (Credit) for Income Taxes.....		16,462	
24	Income (Loss) Before Extraordinary Items.....		24,378	0
25	Extraordinary Items (Net of Income Taxes -		0	
26	Net Income (Loss).....		\$24,378	\$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Bally's Park Place, Inc. (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	(d)
	Revenue:			
1	Casino.....		\$172,085	
2	Rooms.....		14,305	
3	Food and Beverage.....		21,533	
4	Other.....		6,247	
5	Total Revenue.....		214,170	0
6	Less: Promotional Allowances.....		44,704	
7	Net Revenue.....		169,466	0
	Costs and Expenses:			
8	Cost of Goods and Services.....		104,387	
9	Selling, General, and Administrative.....		10,353	
10	Provision for Doubtful Accounts.....		204	
11	Total Costs and Expenses.....		114,944	0
12	Gross Operating Profit.....		54,522	0
13	Depreciation and Amortization.....		10,407	
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		271	
15	Other.....	11	2,909	
16	Income (Loss) from Operations.....		40,935	0
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	9	(12,410)	
18	Interest Expense - External.....		(187)	
19	CRDA Related Income (Expense) - Net.....		(2,126)	
20	Nonoperating Income (Expense) - Net.....	12	996	
21	Total Other Income (Expenses).....		(13,727)	0
22	Income (Loss) Before Taxes and Extraordinary Items.....		27,208	0
23	Provision (Credit) for Income Taxes.....		9,456	
24	Income (Loss) Before Extraordinary Items.....		17,752	0
	Extraordinary Items (Net of Income Taxes -			
25		0	
26	Net Income (Loss).....		\$17,752	\$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Bally's Park Place, Inc. (Bally's Atlantic City)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND THE SIX MONTHS ENDED JUNE 30, 2006
(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2005.....		100	\$1			\$628,725		\$14,493	\$643,219
2	Net Income (Loss) - 20.....									0
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6										0
7										0
8										0
9										0
10	Balance, December 31, 2005.....		100	1	0	0	628,725	0	14,493	643,219
11	Net Income (Loss) - 2006.....								24,378	24,378
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....						(23,633)			(23,633)
15										0
16										0
17										0
18										0
19	Balance, June 30, 2006		100	\$1	0	\$0	\$605,092	\$0	\$38,871	\$643,964

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Bally's Park Place, Inc. (Bally's Atlantic City)

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2006

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	(d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$136,979	\$0
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments			
3	Proceeds from the Sale of Short-Term Investments			
4	Cash Outflows for Property and Equipment.....		(20,144)	0
5	Proceeds from Disposition of Property and Equipment.....		7	
6	CRDA Obligations		(764)	
7	Other Investments, Loans and Advances made.....			
8	Proceeds from Other Investments, Loans, and Advances		2,202	
9	Cash Outflows to Acquire Business Entities.....		0	0
10				
11				
12	Net Cash Provided (Used) By Investing Activities.....		(18,699)	0
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt			
14	Payments to Settle Short-Term Debt.....			
15	Proceeds from Long-Term Debt			
16	Costs of Issuing Debt.....			
17	Payments to Settle Long-Term Debt.....		(171)	
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....			
20	Payments of Dividends or Capital Withdrawals.....			
21	Change in payable to/receivable from affiliate		(121,929)	
22				
23	Net Cash Provided (Used) By Financing Activities.....		(122,100)	0
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(3,820)	0
25	Cash and Cash Equivalents at Beginning of Period.....		47,425	
26	Cash and Cash Equivalents at End of Period.....		\$43,605	\$0
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$25,190	
28	Income Taxes.....		\$16,462	

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Bally's Park Place, Inc. (Bally's Atlantic City)

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2006

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	(d)
	CASH FLOWS FROM OPERATING ACTIVITIES:			
29	Net Income (Loss).....		\$24,378	
30	Depreciation and Amortization of Property and Equipment...		15,729	
31	Amortization of Other Assets.....		5,983	
32	Amortization of Debt Discount or Premium.....		0	
33	Deferred Income Taxes - Current		1,666	
34	Deferred Income Taxes - Noncurrent		2,906	
35	(Gain) Loss on Disposition of Property and Equipment.....		0	
36	(Gain) Loss on CRDA-Related Obligations.....		3,391	
37	(Gain) Loss from Other Investment Activities.....		0	
38	(Increase) Decrease in Receivables and Patrons' Checks		5,693	
39	(Increase) Decrease in Inventories		25	
40	(Increase) Decrease in Other Current Assets.....		5,659	
41	(Increase) Decrease in Other Assets.....		22,341	
42	Increase (Decrease) in Accounts Payable.....		11,163	
43	Increase (Decrease) in Other Current Liabilities		37,800	
44	Increase (Decrease) in Other Liabilities		245	
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....		\$136,979	\$0

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:			
48	Additions to Property and Equipment.....		(\$20,144)	
49	Less: Capital Lease Obligations Incurred.....		0	
50	Cash Outflows for Property and Equipment.....		(\$20,144)	\$0
	ACQUISITION OF BUSINESS ENTITIES:			
51	Property and Equipment Acquired.....		\$0	
52	Goodwill Acquired.....		0	
53	Other Assets Acquired - net		0	
54	Long-Term Debt Assumed.....		0	
55	Issuance of Stock or Capital Invested.....		0	
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

Bally's Park Place, Inc. (Bally's Atlantic City)
SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED JUNE 30, 2006

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	604,890	\$16,451		
2	Food	1,251,823	18,255		
3	Beverage	4,621,314	9,243		
4	Travel			35,484	2,423
5	Bus Program Cash	533,193	10,373		
6	Other Cash Complimentaries	848,598	25,714		
7	Entertainment	358,548	1,793	2,875	359
8	Retail & Non-Cash Gifts	91,993	3,855	52,446	5,401
9	Parking				
10	Other	4,815	144	123,535	1,495
11	Total	8,315,174	\$85,828	214,340	\$9,678

FOR THE THREE MONTHS ENDED JUNE 30, 2006

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	487,821	\$8,243	0	\$0
2	Food	624,983	9,311	0	0
3	Beverage	2,259,841	4,520	0	0
4	Travel	0	0	19,957	1,349
5	Bus Program Cash	278,964	5,604	0	0
6	Other Cash Complimentaries	479,109	14,594	0	0
7	Entertainment	151,347	757	1,677	209
8	Retail & Non-Cash Gifts	49,040	2,070	28,082	2,561
9	Parking	(475,820)	(476)	(237,910)	(714)
10	Other	2,720	81	67,796	804
11	Total	3,858,005	\$44,704	(120,398)	\$4,209

*No item in this category exceeds 5%.

**A year-to-date reclassification was done to reverse amounts for parking promotional allowance and expense, and the corresponding revenues. There is no effect on income.

Bally's Park Place, Inc. (Bally's Atlantic City)
STATEMENT OF CONFORMITY,
ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30,2006

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

6/30/2006

Date



Controller

Title

#7091-11

License Number

On Behalf of:

Bally's Park Place, Inc. (Bally's Atlantic City)

Casino Licensee

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

The accompanying financial statements include the accounts of Bally's Park Place, Inc., a New Jersey corporation (the "Company"), an indirect, wholly owned subsidiary of Harrah's Operating Company, Inc. ("HOC"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

Prior to June 13, 2005, the company was 100% owned by Caesars Entertainment, Inc ("CEI"). On June 13, 2005, Harrah's Entertainment, Inc. ("Harrah's") completed the acquisition of 100 percent of the outstanding shares of CEI. Following the purchase, the Company became an indirect wholly-owned subsidiary of Harrah's.

In conjunction with the acquisition, total equity was adjusted to the purchase price assigned to the Company, retained earnings of the Company were eliminated and the assets and liabilities of the Company were adjusted to fair value with goodwill recorded for the excess of the purchase price over the fair value of the net tangible and intangible assets. Harrah's determined the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. The purchase price allocation related to the CEI acquisition has been completed and refinements have been recorded in these statements. However, additional review of the allocation may result in further refinements to the allocation. The following table summarizes the estimated fair value of the Company's assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets	\$ 45,101
Land, buildings and equipment	673,541
Other assets	50,365
Due from affiliates (net)	151,573
Goodwill	314,275
Intangible assets	<u>150,000</u>
Total assets acquired	<u>\$ 1,384,855</u>
Current liabilities	\$ 55,353
Deferred income taxes	137,382
Other liabilities	1,787
Long-term debt	<u>585,240</u>
Total liabilities assumed	<u>\$ 779,762</u>

For purposes of this regulatory filing, adjustments to the historical assets of the Company were reflected on December 31, 2005 and in its statement of operations for the three months and twelve months ended December 31, 2005 and in its statement of cash flows for the twelve months ended December 31, 2005. The operations of the Company for the periods prior to June 13, 2005 are considered the "Predecessor Company." The operations of the Company for the

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

period from June 14, 2005 are referred to in these financial statements as the "Company." The Company's balance sheet, statements of income and statements of cash flow are not comparable to the Predecessor Company and are not presented here. For information on prior year, please refer to the Quarterly Report at June 30, 2005. The Company has assumed all Predecessor Companies obligations.

Seasonal factors

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three months ended June 30, 2006 are not necessarily indicative of the results of operations for the full year.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Revenue Recognition

Casino revenues consist of net gaming wins. Food and beverage and rooms revenues include the aggregate amounts generated by those departments.

Casino Promotional Allowances

Casino promotional allowances consist of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as Casino expenses in the accompanying Statements of Income.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$ 15,729 for the six months ended June 30, 2006.

<u>Asset class</u>	<u>Life</u>
Land Improvements	12 years
Building and Improvements	30-40 years
Furniture, Fixtures and Equipment	3-10 years

Goodwill and Other Intangible Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, the Company performs at least an annual review of goodwill and non-amortizing intangibles. The purchase price allocation related to the Caesars acquisition has been completed and refinements have been recorded in these statements. The Company completed its annual assessment for impairment during the fourth quarter of 2005 and determined that goodwill and non-amortizing intangible assets had not been impaired. In accordance with the provisions of SFAS No. 142, the Company does not amortize goodwill.

The intangible assets include trademark totaling \$20 million and customer relationships (database) totaling \$130 million. The trademark has been determined to have a useful life of five years and the customer relationships have been determined to have a useful life of 15 years, and are being amortized using the straight-line method. Amortization expense for the six months ended June 30, 2006 was approximately \$5,984. Based on the value allocated to amortizing intangibles as of June 30, 2006 per the purchase price allocation, estimated annual amortization expense for each of the years ending December 31, 2006, 2007, 2008 and 2009 is approximately \$12.7 million and for the year ending December 31, 2010 is approximately \$10.7 million.

Fair value of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt approximate their recorded book values at June 30, 2006.

Investments in subsidiaries

The Company has an investment in Atlantic City Country Club reflected in the accompanying financial statements using the equity method.

Accounting Pronouncements

There were no accounting standards issued in second quarter 2006 that are expected to materially impact the Company.

Income Taxes

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The Company is included in the consolidated federal tax return of Harrah's and files a separate New Jersey tax return. The provision for federal income taxes is computed based on the statutory federal rate as if the Company had filed a separate income tax return. The provision for state taxes is based on the statutory New Jersey tax.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be a total of \$4,800,000, the first payment of which was made November 2004. The total estimated commitment will be charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of June 30 consist of the following:

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

	<u>2006</u>
Casino Receivables (net of allowance for doubtful accounts \$6,607)	\$ 5,591
Other (net of allowance for doubtful accounts of \$772)	10,829
Due from Harrah's	217,949
Due from Caesars	27,797
Due from Affiliates	1,397
	<u><u>\$ 263,563</u></u>

NOTE 3- PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of June 30 consist of the following:

	<u>2006</u>
Tax Deferred Asset	\$ 10,079
Other	7,590
	<u><u>\$ 17,669</u></u>

NOTE 4 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of June 30 consist of the following:

	<u>2006</u>
Investment in wholly owned subsidiaries (see Note 1): Atlantic City Country Club, Inc.	\$ 14,398
Casino Reinvestment Development Authority Investment obligations (less valuation reserves of \$14,217)	19,075
Jacobs Family Terrace mortgage receivable (less reserve of \$250)	635
	<u><u>\$ 34,108</u></u>

NOTE 5- PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consist of the following:

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

	2006
Land	\$ 74,260
Buildings and improvements	521,439
Furniture, fixtures and equipment	85,308
Construction in progress	15,277
	<u>\$ 696,284</u>
Less accumulated depreciation and amortization	(28,013)
	<u><u>\$ 668,271</u></u>

See Note 1 for discussion of asset revaluation.

NOTE 6- OTHER ASSETS

Other assets as of June 30 consist of the following:

	2006
Goodwill	\$ 314,275
Trademark, less accumulated amortization of \$4,189	15,811
Intangible asset, less accumulated amortization of \$9,076	120,924
Long Term CRDA	9,884
Other	1,963
	<u><u>\$ 462,857</u></u>

See Note 1 for discussion of Goodwill and other intangible assets.

NOTE 7- OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30 consist of the following:

	2006
Accrued Payroll	\$ 13,999
Other	17,357
	<u><u>\$ 31,356</u></u>

NOTE 8- OTHER CURRENT LIABILITIES

Other current liabilities as of June 30 consist of the following:

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

	2006
Chip and token liability	\$ 2,090
Due to affiliates	42,190
Other	285
	<u>\$ 44,565</u>

NOTE 9- LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER

Long-term debt-due to affiliates and other as of June 30 consist of the following:

-	2006
Long-term debt due to affiliates:	
8.5% Note payable to Caesars Entertainment Finance Corporation ("CEFC") due January 1, 2009	\$ 500,000
8.5% Note payable to CEFC due May 31, 2011	33,500
8.5% Note payable to CEFC due May 31, 2011	50,000
8.5% Note payable to CEFC due April 30, 2013	500
	<u>\$ 584,000</u>
Long-term debt-other:	
Other secured and unsecured debt	<u>\$ 868</u>

In January 1999, the Company executed a \$500,000 note payable to CEI with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. On July 1, 2000, CEI assigned the \$500,000 note to Park Place Finance Corporation. On March 9, 2004, Park Place Finance Corporation changed its name to Caesars Entertainment Finance Corporation. On June 1, 2001 the Company executed two notes payable in the amounts of \$33,500 and a \$50,000 to CEFC each with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. In April 2004, the Company executed a \$500 note payable to CEFC with interest at a rate of 8.5% per annum, payable on the last business day of each month (see note 1).

NOTE 10- OTHER LIABILITIES

Other liabilities as of June 30 consist of the following:

	2006
Retirement and other employee benefit plans	\$ 1,821
Other	25
	<u>\$ 1,846</u>

NOTE 11 – RELATED PARTY TRANSACTIONS

The Company participates with HOC and its other subsidiaries in marketing, purchasing,

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
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(Unaudited)
(All dollar amounts in thousands)

insurance, employee benefit and other programs that are defined and negotiated by HOC on a consolidated basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis.

Certain of the more significant inter-company relationships between the Company and HOC are discussed in this footnote.

Cash Activity with HOC and Affiliates

The Company transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC to the Company are also made based upon the needs to the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. In addition, the Company transfers cash to HOC to reimburse HOC for payroll costs of certain HOC employees who provide services to the Company. No interest is earned on the amount shown as due from affiliates, net, in the accompanying financial statements.

Administrative and Other Services

Harrah's allocates certain expenses to the Company, such as information technology, internal audit and risk management. These expenses are allocated using various formulas based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable. The company was allocated \$5,686 for these services for the six months ended June 30, 2006.

NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the six months ended June 30 consists of the following:

	2006
Interest Income	\$ 611
Project Write Downs	(97)
Other	(178)
	<u>\$ 336</u>

Nonoperating income (expense) for the three months ended June 30 consists of the following:

	2006
Interest Income	\$ 297
Project Write Downs	777
Other	(78)
	<u>\$ 996</u>